March 2015 - Market Summary

Review of Market Trends

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Macro Economics

<table>
<thead>
<tr>
<th>Currency</th>
<th>Closing Rate</th>
<th>% Change</th>
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<tbody>
<tr>
<td>EUR</td>
<td>1.3707</td>
<td>1.67%</td>
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<tr>
<td>USD</td>
<td>1.4880</td>
<td>1.64%</td>
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**United States Dollar**

Risk-aversion saw the dollar gain across the board with cable dropping below 1.48 on the back of ongoing concerns about a possible Greek exit from the Eurozone. The dollar will likely remain well bid as the current impasse rumbles on. Month end saw a mixed bag of medium impact from the States with Personal Spending missing the expected 0.3% gain, coming in at 0.1% and Pending Home Sales printing 3.1% growth when a more modest 0.5% was expected. Top-tier US data kicks off at the start of April with the ADP Non-Farm Employment Change from the States with 231k expected. At the time of writing the pound has received a boost with the final UK Q4 GDP figure being pushed up to 0.6% from the previous readings of 0.5%. GDP for 2014 as a whole is now estimated to have grown by 2.8%. GBP/USD currently trades at 1.4770 with tomorrows Manufacturing PMI the next release of note from the UK.

Blizzard anticipates a range of 1.4700 to 1.4860

**Euro**

EUR/USD has continued to fall this month as a possible Grexit weighs on the shared currency. Greece’s creditors are reviewing a series of potential reforms put forward by the Syriza party in exchange to receive extra funding to ensure Greece doesn’t run out of cash in the next few weeks. EUR/USD currently trades at 1.0735 after trading close to 1.09 at the start of March. GBP/EUR has pushed up buoyed by the aforementioned UK GDP number. It currently trades at 1.3750. The latest Flash CPI release from the Eurozone, with the current level of -0.3% is expected to hold. Expect further losses should this print deeper in deflationary territory.

Blizzard anticipates a range of 1.3660 to 1.3820
Oil Market: Brent $56.29/bbl, WTI $48.68/bbl

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<tr>
<td>Brent ICE (USD/b)</td>
<td>56.29</td>
<td>↓</td>
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<tr>
<td>Gasoil ICE (USD/t)</td>
<td>527.50</td>
<td>↑</td>
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<tr>
<td>Fuel 1% Fob cg (USD/t)</td>
<td>292.57</td>
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Close to close: Down at $ 56.29/bbl for Brent

Why?
Markets were volatile but in a wait-and-see situation yesterday ahead of the deadline for a crucial deal with Iran. Both benchmarks’ prices were almost flat during previous session: Brent holds around $56/b while WTI trades at $48/b.

Main events
Negotiations to reach a preliminary deal with the Islamic Republic are in the final sprint and they intensified yesterday. With a deadline less than 24 hours away, United States, Britain, France, Germany, Russia and China are trying to find an agreement aimed at stopping Iran from having the capacity to develop a nuclear bomb, in exchange for an easing of international sanctions. A framework accord has to be agreed before month end as a prelude to a comprehensive agreement by the end of June.

The main issue for the oil market is the flooding of global markets with Iranian crude:
* Shipping sources say Iran is storing at least 30 Mb of oil on its fleet of super tankers, those volumes being available in the very short term in case of deal
* The consensus is that Iran could increase oil production by some +500 kbd in three to six months if sanctions are removed and then by an additional 700 kbd within another year.

Regarding the crisis in Yemen, Saudi Arabia announced its full control of Yemen’s sea ports, a positive sign for crude markets as their main concern is the route for tankers to the red sea off the Yemeni coasts: the Saudi-led coalition of 10 countries carried out a maritime operation which succeeded in securing Yemen’s sea ports, where all arriving and departing ships are being screened.
Outlook
All eyes will be looking towards Switzerland for the outcome of the negotiations. We can expect volatility over the next few days before an agreement is reached. So what could be next? Iran could continue to fuel instability in the Middle-East and they struggle to sell their crude while investments are falling in a strongly unbalanced budget? However, it is thought unlikely that western countries and Iran would give up after two years of negotiations and 10 years of contact, both parties need a deal. We therefore have a bearish outlook with support at $52.5/b in case of a deal.

European Gas Market NBP Price: 1.6481 pence/kWh

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<tr>
<td>Day Ahead (p/therm)</td>
<td>48.30</td>
<td></td>
</tr>
<tr>
<td>May 2015 (p/therm)</td>
<td>45.89</td>
<td></td>
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<tr>
<td>Summer 2015 (p/therm)</td>
<td>51.32</td>
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Close to close: Down at 21.69 EUR /MWh

Why?
Below-average temperature forecasts for the coming days offered some support to spot and near-curve prices, whereas contracts further out on the curve continued to lose value on the back of weaker oil prices. For their last day of trading, NBP ICE April 2015 prices edged 0.08 p/therm higher at the close (+0.17%), to 48.24 p/therm. TTF ICE April 2015 prices were almost stable at the close: -4 euro cents (-0.17%), to €21.773/MWh. Losses were more significant on the far curve. TTF ICE Cal 2016 prices lost 12 euro cents at the close (-0.56%), to €21.693/MWh.
Main events
Ukraine and Russia made first steps towards a new supply agreement. Indeed, Ukraine’s energy company Naftogaz proposed to extend the current “winter package” gas supply agreement with Russia (due to expire at the end of the month) to April 2016. In the meantime, Gazprom asked the Russian government to extend the current gas price discount of $100 per 1,000 cubic metres for Ukraine for another three months. The next round of trilateral talks is expected to take place by mid-April in Brussels. Ukraine may stop imports of Russian gas until a new agreement is reached, relying on imports from Western Europe to start the injection season.

Outlook
The latest release of the EC 30-day weather forecast is colder than the previous one for the first half April, confirming that gas demand should be above seasonal norms over the next two weeks across Europe. This is likely to support spot and near-curve contracts today. Further out on the curve movements should be more limited ahead of a Dutch court hearing tomorrow that could lead to a halt in Groningen production. The outcome of the nuclear talks with Iran which are due to end today could be a bearish trigger for oil prices and could consequently weigh on far-curve contracts today or tomorrow.

UK Electricity Market Average Buy Price: £44.10/MW

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<tr>
<td>Day Ahead (p/kWh)</td>
<td>4.410</td>
<td>↑</td>
</tr>
<tr>
<td>April 15 (p/kWh)</td>
<td>4.475</td>
<td>↓</td>
</tr>
<tr>
<td>Q2 2015 (p/kWh)</td>
<td>4.390</td>
<td>↓</td>
</tr>
<tr>
<td>Summer 2015 (p/kWh)</td>
<td>4.385</td>
<td>↓</td>
</tr>
<tr>
<td>Winter 2015 (p/kWh)</td>
<td>4.760</td>
<td>↓</td>
</tr>
<tr>
<td>Summer 2016 (p/kWh)</td>
<td>4.360</td>
<td>↓</td>
</tr>
<tr>
<td>Winter 2016 (p/kWh)</td>
<td>4.780</td>
<td>↓</td>
</tr>
<tr>
<td>Summer 2017 (p/kWh)</td>
<td>4.350</td>
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Close to close: Up at £44.10/MWh

Why?
Spot markets were maintained at low levels in March mainly thanks to strong wind generation. Over the next couple of weeks, wind power will reach record-highs. But besides wind, spot markets are increasingly looking tight for the time being. Temperatures were already revised down over the weekend and the medium-term weather forecasts was also revised lower overnight.

Main events
So as wind is set to decline sharply in early April, some risk of tightness on spot markets afterwards (probably by middle of next week, after Easter Monday) can be expected, if conditions do not change until then. This is likely why week- and month-ahead contracts were traded higher yesterday. For April, a neutral picture is favoured.

Outlook
There is no strong market mover expected.

Coal Buy Price: £34.29/tonne
Carbon Buy Price: €6.80/tonne
News

**Anglian Water keen to secure new National Grid contract**
Anglian Water is eager to secure a new demand side balancing reserve (DSBR) contract with National Grid. The water company was one of 12 businesses that signed a DSBR contract with National Grid to reduce energy demand during times of constraint during last winter’s pilot.

**Thames Water aims to double Scottish customer base**
Thames Water is aiming to double the size of its Scottish business customer base by undercutting incumbent supplier Business. The firm’s non-domestic arm, Thames Water Commercial Services (TWCS) currently serves more than 130 business customers in Scotland, across 600 different sites, but says it is targeting a 100 per cent increase by offering its services at a discount of up to 20 per cent.

**Energy broker rules shelved amid CMA probe**
Ofgem has shelved plans to introduce a mandatory code of conduct for energy brokers dealing with small business customers. The code intends to protect non-domestic customers by compelling third-party intermediaries (TPIs) to be clear and honest with businesses about which suppliers they represent and how they charge for their services.

**Scottish Power networks boss heads up Eurelectric committee**
The chief executive of Scottish Power Energy Networks has stepped in to head the distribution system operator (DSO) committee of Eurelectric. The networks company said in a statement that Frank Mitchell was appointed at the recent meeting of the pan-European electricity networks group’s board of directors in March.

**Solar approvals see 60 per cent surge ahead of subsidy changes**
The number of planning consents approved for solar farms rose by 60 per cent last year as developers hurried to gain government subsidises ahead of an overhaul yesterday, experts have found. Government data, analysed by law firm Pinsent Masons, shows requests for planning consent for solar developments from local authorities jumped from 208 in 2013 to 348 last year, and permissions granted increased from 133 to 220.

**Hinckley Point work stalls as negotiations continue**
Construction work at the Hinckley Point C nuclear project has stalled, with heavy job cuts expected, as EDF Energy’s talks with government over the details of its funding agreement continue. A spokesman for the company said that the workforce currently carrying out preparatory work at the Hinckley site will fall from 650 to around 250 until EDF Energy and government can agree on the funding details which will enable a final investment decision.

**Eon hit with £7.75m fine for repeat overcharging**
Ofgem has ordered Eon to pay out a total of £7.75 million for overcharging customers following a price hike, and wrongfully

**LNG imports triple to force UK energy prices lower**
The amount of gas imported by the UK via liquefied natural gas shipments has tripled over the first quarter of this year

**National Grid escapes use of UK’s priciest winter power**
National Grid escaped having to resort to use of the UK’s most expensive power plant last winter, despite the market...
GDF Suez to decentralise global business by 2016
Energy giant GDF Suez is set to overhaul its corporate structure from 2016, by decentralising its global business units to...

South East Water chair announces retirement
The chair of South East Water has announced his retirement on Tuesday and his replacement has been named.

Bristol Water restructuring puts 150 jobs at risk
Bristol Water has warned staff that 150 jobs are at risk as part of a company restructuring process ahead of the opening of...

CMA names one utility specialist on three person network inquiry panel
The Competition and Markets Authority (CMA) has named Jon Stern as the sole utilities expert on its three person panel...
Terminology
- All oil prices: in US dollar
- Oil product: Brent crude or West Texas Intermediary (WTI)
- Mb/d – Million Barrels per day.
- Freight rates: US dollar per tonne.
- Natural gas prices quoted as pence per therm.
- Power prices quoted as Pounds Sterling per MWh.
- CO2 market: EURO

Information & Data Sources
1. Total Gas & Power
2. GdF Suez
3. Haven Power
4. Coal spot.com
5. FT
6. Energymarketprice

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